

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

REPORT AND ACCOUNTS
FOR
THE SEVEN MONTHS ENDED 30 APRIL 1999

REGISTERED NO 2808801



DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

REPORT AND ACCOUNTS
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DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

DIRECTORS

I R Bodie
J Durston (resigned 2 August 1999)
S A Ashforth
H Jansdorf (appointed 9 June 1999)
T T Møller (appointed 9 June 1999)
P Nørgaard (appointed 9 June 1999)
D Y Maitland (appointed 9 June 1999)

SECRETARY

S A Ashforth

REGISTERED OFFICE

Hill House
1 Little New Street
London
EC4A 3TR

AUDITORS

Deloitte & Touche
Chartered Accountants
39 George Street
Edinburgh
EH2 2HZ

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

REPORT OF THE DIRECTORS
FOR THE SEVEN MONTHS ENDED 30 APRIL 1999

The Directors present their report and audited accounts for the seven months ended 30 April 1999.

Business Review

The profit after taxation for the seven months under review was £2,858,000. No dividend is to be paid. The results and future prospects are regarded as satisfactory.

Principal Activities

The principal activities of the company are the design, manufacture and printing of flexible packaging.

Directors

The names of the present directors appear on page 2.

Directors' Shareholdings

The interests of Directors in shares and options of Sidlaw Group plc required to be disclosed in the accounts were:

	30 Apr 1999	30 Sept 1998
	Options	Options
Ordinary Shares of 25p		
S A Ashforth	16,579	36,579

The interests of J Durston and I R Bodie are disclosed in the financial statements of Sidlaw Group plc. Copies of the parent's consolidated financial statements may be obtained from the Secretary.

Employee Involvement

Employees are provided with information on matters of concern to them, principally through the management structure and notice boards. Views of employees are sought as appropriate through the management structure.

Employment of Disabled Persons

The company policy recognises the importance of, and provides for, equality of opportunity in all aspects of employment for disabled persons.

**DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)**

**REPORT OF THE DIRECTORS (contd)
FOR THE SEVEN MONTHS ENDED 30 APRIL 1999**

Creditor Payment Policy

It is the Company policy to pay its suppliers in accordance with the terms of trade which may be agreed at the time of order. At the period end, the amount owed to trade creditors by the Company was equivalent to 47 days of purchases from suppliers.

Auditors

The Company's auditors, PricewaterhouseCoopers, resigned during the year and Deloitte & Touche were appointed on 12 April 1999.

A resolution to re-appoint the auditors, Deloitte & Touche, will be proposed at the Annual General Meeting.

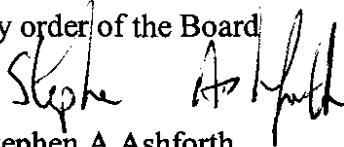
Millennium Compliance

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond to avoid malfunctions and commercial disruption.

In response to this issue, the Company has carried out a thorough review of its computer systems and other equipment or processes controlled by computer technology and has identified those systems which require to be upgraded or replaced. Much of the additional work is encompassed within the Company's IT strategy and the introduction of SAP is central to that plan. The Company is also aware of the need for both suppliers and customers to be Millennium compliant and to that end has had regular communication on the subject.

This work is being co-ordinated by the central IT function who report regularly to the Senior Management Team and Audit Committee on the topic.

The cost of the work required specifically to correct this problem is not considered to be material and is being charged against profits as incurred.

By order of the Board

Stephen A Ashforth
Secretary

23 November 1999

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

DIRECTORS' RESPONSIBILITIES STATEMENT

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

REPORT OF THE AUDITORS
TO THE MEMBERS OF DANISCO FLEXIBLE LIMITED
FOR THE SEVEN MONTHS ENDED 30 APRIL 1999

We have audited the financial statements on pages 7 to 17 which have been prepared under the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

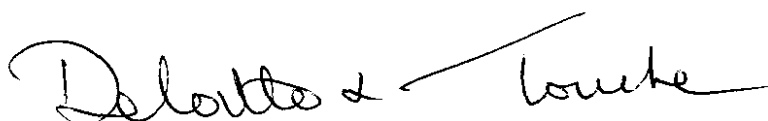
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 April 1999 and of its profit for the seven months then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Deloitte & Touche', is written over a horizontal line.

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
39 George Street
Edinburgh
EH2 2HZ

14 December 1999

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE SEVEN MONTHS ENDED 30 APRIL 1999

	Notes	7 months to 30 Apr 99 £'000	Year to 30 Sept 98 £'000
Turnover	1	63,364	99,523
Cost of Sales	2	(48,540)	(77,183)
Gross profit		14,824	22,340
Other operating expenses	3	(9,952)	(14,743)
Exceptional other operating expenses	3	(1,878)	(1,075)
Operating profit		2,994	6,522
Exceptional item			
Disposal of fixed assets		-	672
Interest	4	2,994 (136)	7,194 (163)
Profit on ordinary activities before taxation		2,858	7,031
Taxation	6	-	-
Profit on ordinary activities after taxation and retained profit for the financial year		2,858	7,031

The Company has no recognised gains and losses other than those included in the gains and losses above and, therefore, no separate statement of total recognised gains and losses has been presented.

The results above relate entirely to continuing operations.

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

BALANCE SHEET AT 30 APRIL 1999

	Notes	30 Apr 99 £'000	30 Sep 98 £'000
Fixed assets			
Intangible assets	7	-	300
Tangible assets	8	47,926	47,106
Investments	9	165	165
		<hr/> 48,091	<hr/> 47,571
Current assets			
Stocks	12	12,391	13,000
Debtors	13	16,975	16,451
Cash at bank and in hand		1,373	1,002
		<hr/> 30,739	<hr/> 30,453
Current liabilities			
Creditors: amounts falling due within one year	14	18,162	21,716
		<hr/> 12,577	<hr/> 8,737
Net current assets			
		<hr/> 60,668	<hr/> 56,308
Total assets less current liabilities			
Creditors due after one year	15	37,055	35,553
		<hr/> 23,613	<hr/> 20,755
Net assets employed			
Capital and reserves			
Share capital	17	15,719	15,719
Special reserve	18	4,809	4,809
Profit and loss account	19	3,085	227
		<hr/> 23,613	<hr/> 20,755
Equity shareholders' funds			
		<hr/> 23,613	<hr/> 20,755

Approved by the Board, 23 November 1999



I R Bodie

} Director

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

BASIS OF ACCOUNTING

The Company's accounts are prepared on the basis of historical cost convention.

TURNOVER

Turnover is stated net of sales taxes and allowances.

DEPRECIATION

Depreciation is applied on a straight-line basis over the estimated economic lives of the assets, less estimated residual values; for heritable freehold and long leasehold property, 2% per annum; for leasehold property over the period of the lease; for plant and machinery 7% to 10%; for other equipment 20%.

Accelerated rates are used when appropriate.

STOCKS

Raw materials are valued at the lower of actual cost on a FIFO basis and net realisable value. Work-in-progress and finished goods are stated at the lower of cost and net realisable value. For manufactured stocks, cost comprises material plus direct conversion costs and attributable overheads at normal output levels.

DEFERRED TAX

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

LEASED ASSETS

Monetary assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciation over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the period end or the contracted rates for the underlying transaction, whichever is appropriate. Differences on exchange are included in the profit and loss account.

DANISCO FLEXIBLE LIMITED
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PRINCIPAL ACCOUNTING POLICIES

PENSIONS

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or liability in the balance sheet.

CASH FLOW STATEMENT

The Company is a wholly-owned subsidiary of Sidlaw Group plc and the cash flows of the Company are included in the consolidated Group cash flow statement of Sidlaw Group plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

NOTES ON THE ACCOUNTS

1) Turnover

Turnover is based on goods invoiced less returns and allowances and is stated net of value added tax. It is analysed on the basis of destination. All turnover originates in the UK.

T	7 months to 30 Apr 99 £'000	Year to 30 Sep 98 £'000
Geographical analysis		
United Kingdom	55,637	84,275
Europe	6,404	12,885
Americas	615	1,535
Other	708	828
	<hr/> 63,364	<hr/> 99,523

2) Cost of sales

Depreciation	3,348	3,777
Operating lease rentals		
Land and buildings	323	310
Other costs	44,869	73,096
	<hr/> 48,540	<hr/> 77,183

3) Other operating expenses

Distribution costs	1,878	2,846
Administration expenses		
Depreciation	270	405
Operating lease rentals – equipment	356	548
Hire of plant	1	2
Other expenses	7,447	10,942
	<hr/> 8,074	<hr/> 11,897
Exceptional operating expenses	1,878	1,075
	<hr/> 11,830	<hr/> 15,818

Auditors' remuneration is being met in full by the holding company.

Exceptional operating expenses of £1,878,000 disclosed in 1999 relates to an exceptional write down in the value of stocks and costs and expenses arising as a result of the acquisition of the share capital of Sidlaw Group plc by Danisco A/S.

The £1,075,000 disclosed in 1998 relates to the costs of the closure of a packaging factory at Accrington, Lancashire.

DANISCO FLEXIBLE LIMITED
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NOTES ON THE ACCOUNTS

	7 months to 30 Apr 99 £'000	Year to 30 Sep 98 £'000
4) Interest		
Payable on finance leases	139	167
Receivable	(3)	(4)
	<u>136</u>	<u>163</u>

5) Employees

The average monthly number of employees during the seven months was 856 (1998 - 822).

Employee costs during the seven months amounted to:

Wages and salaries	13,155	20,385
Social security costs	1,097	1,704
Other pension costs	810	1,092
	<u>15,062</u>	<u>23,181</u>

None of the Directors received any emoluments during the seven months (1998 - Nil).

6) Taxation

United Kingdom corporation tax at 31% (1998: 31%)

Current seven months	<u>Nil</u>	<u>Nil</u>
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The taxation charge for the seven months has been eliminated as a result of the excess of tax allowances over depreciation, tax losses and other timing differences on which, in accordance with the company's accounting policy, no deferred taxation has been provided.

7) Intangible Assets	£'000
Cost at 30 April 1999 and 30 September 1998	<u>600</u>
Depreciation	
At 1 October 1997	300
Charge for seven months	300
	<u>600</u>
At 30 April 1999	<u>600</u>
Net book value	<u>-</u>

DANISCO FLEXIBLE LIMITED
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NOTES ON THE ACCOUNTS

	Land and buildings £'000	Plant and Equipment £'000	Total £'000
8) Tangible Assets			
Cost			
At 1 October 1998	8,806	70,373	79,179
Additions	-	4,452	4,452
Disposals	-	(1,599)	(1,599)
At 30 April 1999	8,806	73,226	82,032
Aggregate depreciation			
At 1 October 1998	682	31,391	32,073
Charges for seven months	101	3,517	3,618
Disposals	-	(1,585)	(1,585)
At 30 April 1999	783	33,323	34,106
Net book value			
At 30 April 1999	8,023	39,903	47,926
At 30 September 1998	8,124	38,982	47,106
Consisting of:			
Long leasehold	1,537		
Short leasehold	5		
Freehold	6,481		
	8,023		

The net book value of tangible assets includes an amount of £4,057,211 (1998-£4,292,546) in respect of assets held under finance leases and hire purchase contracts. The depreciation on these assets was £271,000 (1998 - £280,000).

	30 Apr 99 £'000	30 Sep 98 £'000
9) Investments		
Subsidiary undertakings:		
Cost at 30 September 1998 and 30 April 1999	165	165

The Company has taken advantage of S228 Companies Act 1985, and has not therefore prepared group accounts as it is a subsidiary of a larger group.

DANISCO FLEXIBLE LIMITED
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NOTES ON THE ACCOUNTS

10)	Capital Commitments	30 Apr 99 £'000	30 Sep 98 £'000
	Contracted but not provided	3,072	4,066
11)	Commitments under Operating Leases	Land & Buildings 30 Apr 99 £'000	Plant & Equipment 30 Apr 99 £'000
	Annual commitments under non-cancellable operating leases expiring	30 Sep 98 £'000	30 Sep 98 £'000
	Within 1 year	65	-
	Between 2-5 years	60	60
	After 5 years	469	305
		594	365
		464	461
12)	Stocks	30 Apr 99 £'000	30 Sep 98 £'000
	Raw materials	2,359	3,010
	Work in progress and finished goods	10,032	9,990
		12,391	13,000
13)	Debtors		
	Due within one year		
	Trade debtors	13,259	13,645
	Prepayments and accrued income	490	384
	Other debtors	2,328	2,214
	Due from fellow subsidiary undertakings	-	200
	Due from parent undertaking	30	8
	Due after one year		
	Due from fellow subsidiary undertakings	148	-
	Due from parent undertaking	720	-
		16,975	16,451

DANISCO FLEXIBLE LIMITED
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NOTES ON THE ACCOUNTS

		30 Apr 99	30 Sep 98
		£'000	£'000
14) Creditors due within one year			
Bank overdrafts		8	2,093
Trade creditors		10,575	11,287
Other taxes and social security		1,195	1,918
Capital creditors		76	528
Accruals and deferred income		3,054	2,693
Finance leases		673	635
Other creditors		2,463	2,562
Due to fellow subsidiary undertakings		118	-
		<u>18,162</u>	<u>21,716</u>
		30 Apr 99	30 Sep 98
		£'000	£'000
15) Creditors due after one year			
Repayable 1 - 2 years			
Finance leases		721	690
Due to fellow subsidiary undertakings		20,235	21,137
Due to parent undertaking		14,824	12,001
		<u>35,780</u>	<u>33,828</u>
Repayable 2 - 5 years			
Finance leases		1,275	1,725
		<u>1,275</u>	<u>1,725</u>
Total creditors due after one year		<u>37,055</u>	<u>35,553</u>
16) Deferred Taxation			
At 1 October 1998 and 30 April 1999		Nil	Nil
	Amount Provided	Full Potential	
	30 Apr 99 30 Sep 98	30 Apr 99 30 Sep 98	
	£'000 £'000	£'000 £'000	
Asset timing differences	- 880	3,896 4,699	
Taxation losses	(12) (689)	(12) (689)	
Other timing differences	128 (191)	128 (191)	
	<u>116 -</u>	<u>4,012 3,819</u>	
Offset against surplus ACT	(116) -	(539) -	
	<u>- -</u>	<u>3,473 3,819</u>	

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

NOTES ON THE ACCOUNTS

	30 Apr 99	30 Sep 98
	£'000	£'000
17) Share Capital		
Authorised		
15,719,011 Ordinary shares of £1 each	15,719	15,719
Called-up and fully paid		
15,719,011 Ordinary shares of £1 each	15,719	15,719
18) Special Reserve		
At 1 October 1998 and 30 April 1999	4,809	4,809
19) Profit and Loss Account		
At 1 October 1998	227	(6,804)
Retained profit for the period	2,858	7,031
At 30 April 1999	3,085	227
20) Reconciliation of Movements in Equity Shareholders' Funds		
Opening equity shareholders' funds	20,755	13,724
Retained profit for the period	2,858	7,031
Closing equity shareholder's funds	23,613	20,755
21) Pension Schemes		

The parent company, Sidlaw Group plc, operates on a group basis, a defined benefit pension scheme for the majority of employees. During the period, Sidlaw Group plc merged its three defined benefit pension schemes for its UK employees into one.

The Scheme is administered by Trustees and its funds are separate from the Company. The fund is valued at least every three years by an independent qualified actuary and the total contributions are paid on the basis of this advice. The last actuarial valuations of the three schemes were as at 6 April 1998. The valuations used the projected unit method. The actuarial value of the assets in aggregate was £45.5 million, the actuarial value of which represented 4% in excess of the amount required to secure the accrued benefits calculated on the basis of service to the date of valuation, and projected pensionable earnings.

The principal actuarial assumption used in each valuation was that over the long term the annual rate of return on investments would exceed the annual rate of increase in pensionable remuneration by 3%.

DANISCO FLEXIBLE LIMITED
(FORMERLY SIDLAW FLEXIBLE PACKAGING LIMITED)

NOTES ON THE ACCOUNTS

22) Contingent Liabilities

The Company, as part of the Group banking arrangements, has guaranteed £nil (1998 - £315,000) of the borrowing of Sidlaw Group plc.

23) Ultimate Parent Company

The Company's ultimate parent company is Danisco A/S, a company incorporated in Denmark. Copies of the group financial statements of Danisco A/S are available from Langebrogade 1, PO Box 17, DK-1001, Copenhagen K, Denmark.

24) Related Party Transactions

In accordance with FRS8 'Related Party Disclosures' the Company has taken advantage of the exemptions not to disclose transactions with other Group companies as it is a wholly owned subsidiary of Danisco A/S.